

# MONTHLY REVENUE REPORT

## May 2004

Tax collections continued to improve in May. The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes increased 4.7% from last year's level to \$1.23 billion. This percentage increase is based on the total revenue collected from the major taxes, excluding the State education property tax due to its new collection pattern. The increase in May marked the fourth consecutive month that tax collections have surpassed the year-ago level. The increase in May can be attributed to large increases in income, use, real estate transfer, estate, and casino wagering tax collections, which were partially offset by decreases in sales, tobacco, single business, insurance, and oil and gas severance tax collections. So far in FY 2003-04, the revenue collected from these major taxes (excluding the State education property tax) is up 1.4%.

Net income tax collections totaled \$329 million in May, which was up 28.7% from last year's level. This sharp increase was due to an increase in gross income tax collections and a decrease in income tax refunds paid to taxpayers. Gross income tax collections (withholding, quarterly, and annual payments) were up 5.9%, due to increases in withholding and annual payments. Income tax refunds were down 18.3%, but this sharp decline was not due to an overall decline in income tax refunds, but rather resulted from timing-related issues regarding the processing and mailing out of the refund payments. As a result, the large decline in refunds in May is expected to be followed by a large increase in June. So far this fiscal year, net income tax collections are up 4.0%.

Sales tax collections totaled \$470 million in May, which was down 2.6% from the year-ago level. This marks the fifth time in the past six months that sales tax collections have fallen below the year-ago level. Sales tax collections from motor vehicle transactions fell 23.0% in May, while sales tax collections from all other taxable retail sales were up 2.7%. On a fiscal year-to-date basis, sales tax collections are down 0.7%.

Use tax collections totaled \$113 million in May, representing a 19.5% increase from last year's level. This increase followed a 16.7% increase in April. So far in FY 2003-04, use tax collections are up 6.5%.

Single business tax receipts totaled \$148 million in May, which fell below the year-ago level by 17.8%. Using a three-month moving average to help smooth out some of the monthly fluctuations which tend to characterize single business tax collections, these business tax receipts fell 7.9% in May after being up for three consecutive months. On a fiscal year-to-date basis, single business tax collections are down 3.0%.

Real estate transfer tax collections jumped 44.1% to \$33 million in May. This marked the third highest monthly collection level in the nine-year history of this tax. So far this fiscal year, real estate transfer tax revenue is up 25.1%.

Among the other major taxes in May, estate tax revenue jumped 132.4% to \$15.8 million, casino wagering tax revenue increased 21.3% to \$9.1 million, tobacco tax collections fell 3.5% to \$71.5 million, insurance tax revenue declined 32.9% to \$14.5 million, and oil and gas severance tax collections dropped 57.3% to \$3.2 million.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for May 2004, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revised revenue estimates for FY 2003-04, which were adopted at the May 2004 Consensus Revenue Estimating Conference.

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**MICHIGAN REVENUE UPDATE**  
**MAY 2004**  
(dollars in millions)

Type of Revenue	May Collections		FY 2003-04 to Date <sup>2)</sup>		FY 2003-04 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2002-03
Gross Income Tax	\$ 526.5	5.9%	\$ 4,538.9	1.6%	\$ 7,502.5	1.9%
Refunds	(197.5)	(18.3)	(1,305.1)	(3.9)	(1,640.9)	5.8
Net Income Tax	\$ 329.0	28.7%	\$ 3,233.8	4.0%	\$ 5,861.6	0.9%
Sales Tax	470.4	(2.6)	3,573.5	(0.7)	6,500.7	1.2
Motor Vehicles	76.3	(23.0)	498.3	(11.4)	---	---
All Other Sales Tax	394.1	2.7	3,075.2	1.3	---	---
Use Tax	112.6	19.5	736.6	6.5	1,282.5	4.3
Tobacco Taxes	71.5	(3.5)	491.2	(1.6)	876.8	(1.6)
Single Business Tax	147.5	(17.8)	1,050.7	(3.0)	1,823.7	(1.0)
Insurance Tax	14.5	(32.9)	152.4	4.3	247.0	6.9
State Education Property Tax	22.5	(33.4)	293.2	(67.6)	1,745.2	(18.0)
Real Estate Transfer Tax	33.0	44.1	177.9	25.1	297.7	8.1
Estate/Inheritance Tax	15.8	132.4	51.5	(22.2)	65.0	(34.1)
Casino Wagering Tax	9.1	21.3	55.9	6.7	98.5	8.4
Oil & Gas Severance Tax	3.2	(57.3)	23.5	(26.8)	56.0	16.9
Total	\$1,229.1	3.6%	\$9,840.2	(4.7)%	\$18,854.7	(1.1)%
Total Excluding State Education Tax	\$1,206.6	4.7%	\$9,547.0	1.4%	\$17,109.5	1.0%
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$147.6	(8.7)%	\$1,304.0	15.0%	\$1,865.9	10.9%
Net to School Aid Fund <sup>4)</sup>	\$ 49.3	(15.2)%	\$ 431.1	7.3%	\$ 637.0	8.7%

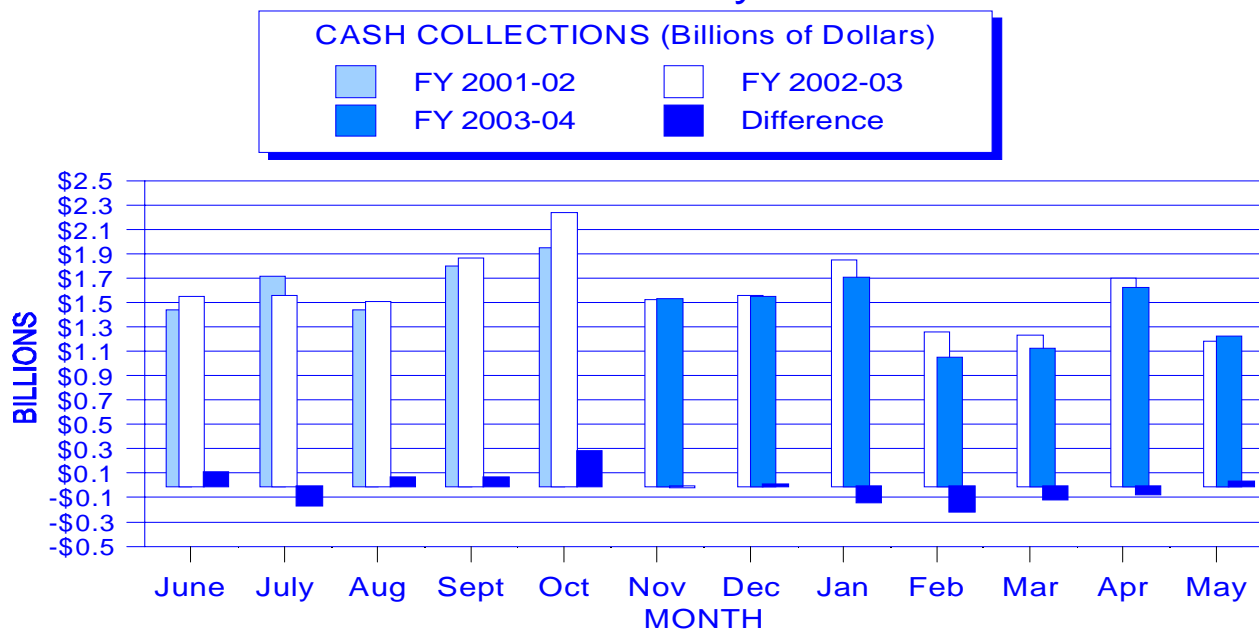
1) Total collections are unadjusted cash collections unless otherwise noted.

2) FY 2003-04 year-to-date collections begin with November 2003 collections to reflect accrual accounting.

3) Revenue estimates adopted at the May 18, 2004, Consensus Revenue Estimating Conference.

4) Lottery revenue is not accrued, so FY 2003-04 lottery revenue will include October 2003 to September 2004.

**Actual Revenue Collections for Major State Taxes\***  
**June 2002 to May 2004**



\*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.